

**STATE INVESTMENT BOARD  
AUDIT COMMITTEE MEETING  
MINUTES OF THE  
NOVEMBER 19, 2010 MEETING**

**COMMITTEE MEMBERS PRESENT:** Becky Dorwart, Chair  
Lonny Mertz, Vice Chair  
Mike Gessner, TFFR Board  
Mike Sandal, PERS Board  
Cindy Ternes, Workforce Safety & Insurance

**STAFF PRESENT:** Connie Flanagan, Fiscal and Investment Officer  
John Geissinger, ED/CIO (effective Dec.6, 2010)  
LeRoy Gilbertson, Interim ED/CIO  
Bonnie Heit, Office Manager  
Fay Kopp, Deputy Executive Director  
Les Mason, Internal Audit Supervisor  
Dottie Thorsen, Internal Audit

**OTHERS:** Barb Aasen, Eide Bailly  
Josh Wiens, Eide Bailly

**CALL TO ORDER:**

Ms. Becky Dorwart, Chair, called the State Investment Board (SIB) Audit Committee meeting to order at 8:25 a.m., on Friday, November 19, 2010, at the State Capitol, Peace Garden Room, Bismarck, ND.

**THE FOLLOWING COMMITTEE MEMBERS WERE PRESENT: MS. DORWART, MR. GESSNER, MR. MERTZ, MR. SANDAL, AND MS. TERNES**

Mr. Les Mason, Supervisor of Internal Audit, welcomed Mr. John Geissinger. Mr. Geissinger will begin employment with the Retirement and Investment Office (RIO) as its Executive Director/Chief Investment Officer (ED/CIO) effective December 6, 2010.

**AGENDA:**

The Audit Committee considered the November 19, 2010 agenda.

**MS. TERNES MOVED AND MR. SANDAL SECONDED TO APPROVE THE NOVEMBER 19, 2010 AGENDA.**

**AYES: MS. DORWART, MR. SANDAL, MS. TERNES, MR. MERTZ, AND MR. GESSNER**  
**NAYS: NONE**

**MOTION CARRIED.**

**MINUTES:**

The Audit Committee considered the minutes of the September 24, 2010 meeting.

MR. GESSNER MOVED AND MR. SANDAL SECONDED TO APPROVE THE SEPTEMBER 24, 2010 MINUTES AS WRITTEN.

AYES: MR. GESSNER, MS. DORWART, MR. SANDAL, MS. TERNES, AND MR. MERTZ  
NAYS: NONE

MOTION CARRIED.

Mr. Gessner reminded the Audit Committee the Retirement and Investment Office (RIO) staff will provide quarterly status reports on the implementation of the recommendations from Clifton Gunderson's performance audit of RIO to the Audit Committee. RIO's Internal Audit Division will follow-up with a final report within a year's timeframe.

#### FINANCIAL AUDIT REPORT:

Mr. Josh Wiens and Ms. Barb Aasen, Eide Bailly LLP, reviewed the annual financial audit report of RIO for the year ended June 30, 2010. Eide Bailly LLP issued a clean, unqualified opinion.

A copy of the report is on file at RIO.

MS. TERNES MOVED AND MR. MERTZ SECONDED TO APPROVE THE FINANCIAL AUDIT REPORT OF RIO FOR THE YEAR ENDED JUNE 30, 2010.

AYES: MS. TERNES, MR. MERTZ, MS. DORWART, MR. SANDAL, AND MR. GESSNER  
NAYS: NONE

MOTION CARRIED

#### FISCAL 2011 FIRST QUARTER INTERNAL AUDIT ACTIVITIES:

Mr. Mason reported on internal audit activities for the first quarter of fiscal year 2011.

Mr. Mason reported on school district audit progress. The objective is to complete 35 or more audits during fiscal year 2011. For the first quarter, four audits were completed, five audits are in progress, and information on 13 more school districts will be requested.

Mrs. Thorsen also reported on the TFFR file maintenance audit. There were no exceptions noted.

MR. GESSNER MOVED AND MS. SANDAL SECONDED TO APPROVE THE INTERNAL AUDIT ACTIVITIES REPORT FOR THE FIRST QUARTER OF 2011.

AYES: MS. DORWART, MR. SANDAL, MS. TERNES, MR. MERTZ, AND MR. GESSNER  
NAYS: NONE

MOTION CARRIED

**SCHOOL DISTRICT AUDITS:**

Mr. Mason presented a recap of the school district audits completed since 2002. He also reviewed school districts that were in compliance and those that were not in compliance. School districts that are out of reporting compliance for the previous fiscal year will be followed-up on as part of the due diligence process during the current fiscal year.

RIO's Internal Audit Division is currently on their third cycle of auditing the school districts and their goal is to complete the audits in five years.

**TIME BUDGET:**

Mr. Mason reviewed the Internal Audit division's budgeted hours report for the first quarter of fiscal year 2011.

**OTHER:**

The SIB Policy Committee, Mr. Sandal, Chair, Treasurer Schmidt, Ms. Ternes, and Mr. Clarence Corneil will be meeting after the SIB's December 15, 2010 meeting to review the recommendations from Clifton Gunderson as a result of the performance audit of RIO and staff's responses to those recommendations. The Committee will also be reviewing and revising SIB's policies and practices as a result of the recommendations.

Mr. Gilbertson complimented Ms. Connie Flanagan and the Audit Committee for their work on the performance audit. The audit went very well and the Boards and staff can now move forward with a clean slate.

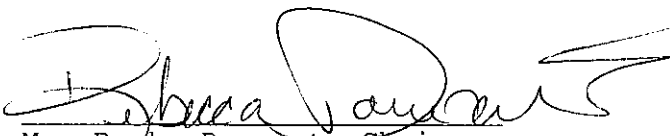
The Audit Committee thanked Mr. Gilbertson for all of his support and leadership during the interim.

The next Audit Committee meeting is scheduled for February 25, 2011, at 1:00 p.m. at Workforce Safety and Insurance, 1600 E. Century Ave., Bismarck, ND.

**ADJOURNMENT:**

With no further business to come before the Audit Committee, Ms. Dorwart adjourned the meeting at 9:40 a.m.

Respectfully Submitted:



Ms. Becky Dorwart, Chair  
SIB Audit Committee



Bonnie Heit  
Secretary to the Audit Committee

